

## Message Text

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AMEMBASSY MOSCOW

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AMCONSUL KRAKOW

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S E C R E T SECTION 1 OF 4 WARSAW 1260

E.O. 11652: GDS

TAGS: PFOR, US, PL

SUBJECT: ANNUAL US POLICY ASSESSMENT FOR POLAND

REF 75 STATE 289641

1. SUMMARY. FOR NEARLY TWENTY YEARS, THE LONG-TERM GOALS OF U.S. POLICY TOWARDS POLAND HAVE BEEN THE TACIT FOSTERING OF A POLISH FOREIGN POLICY WHICH IS MORE INDEPENDENT FROM THAT OF THE SOVIET UNION, AND POLISH INTERNAL REFORM WITHOUT INSTABILITY. SINCE 1971, WE HAVE MOVED TOWARDS THESE GOALS BY CAPITALIZING ON THE DESIRE OF THE GIEREK LEADERSHIP TO OBTAIN AMERICAN TECHNOLOGY AND CREDITS IN ORDER TO IMPROVE THE HEALTH OF POLAND'S ECONOMY AND RAISE THE LIVING STANDARD OF ITS PEOPLE. THE EXCHANGE OF VISITS AT THE HIGHEST LEVELS IN 1974 AND 1975 CONFIRMED AND FURTHER PROMOTED THE CURRENT EXCELLENT STATE OF OUR RELATIONSHIP IN ALMOST EVERY IMPORTANT FIELD.

2. OUR LONG-TERM GOALS REMAIN VALID. DURING 1976, HOWEVER, WE DO NOT EXPECT TO CONTINUE THE MOMENTUM OF 1971-75 IN

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IMPROVING US-POLISH RELATIONS. WE ANTICIPATE THAT EACH GOV-

ERNMENT WILL BE PREOCCUPIED WITH DOMESTIC PROBLEMS -- THE PRESIDENTIAL ELECTION IN THE U.S.; PRICE RISES, AND THEIR AFTERMATH, IN POLAND -- AND WILL NOT SEEK TO DEVELOP MAJOR NEW INITIATIVES.

3. THE STATE OF US-SOVIET RELATIONS AND, TO A LESSER DEGREE, POLAND'S RELATIONS WITH THE FEDERAL REPUBLIC OF GERMANY, HAVE AN INFLUENCE ON WHAT WE CAN ACCOMPLISH IN THIS COUNTRY. WE ASSUME THAT THERE WILL BE NO RADICAL CHANGE IN THE POLICIES OF THE U.S. AND THE USSR TOWARDS EACH OTHER. IF THE BUNDES RAT FAILS TO RATIFY THAT PART OF THE GIEREK-SCHMIDT AGREEMENTS ON WHICH IT MUST PASS, POLISH-FRG RELATIONS WILL SUFFER A MAJOR SETBACK, WITH WIDER CONSEQUENCES FOR EAST-WEST RELATIONS WHICH WE CANNOT NOW FORESEE.

4. US-POLISH RELATIONS SHOULD CONTINUE TO PROSPER. BUT 1976 WILL BE A YEAR OF CONSOLIDATION OF PROGRESS ALREADY MADE AND OF SETTING THE STAGE FOR FURTHER STEPS FORWARD, RATHER THAN ONE OF STRIKING NEW DEVELOPMENTS, SUCH AS HAVE TAKEN PLACE IN THE PRECEDING FIVE YEARS. END SUMMARY.

5. US INTERESTS IN POLAND. OUR INTERESTS IN POLAND ARE HISTORICAL, FAMILIAL, POLITICAL, AND MOST RECENTLY ECONOMIC.

6. POLITICAL - INTERNAL. HISTORICALLY, POLAND HAS BEEN ONE OF THE FLASH POINTS OF EUROPE. THE POLES REMAIN VOLATILE. THE DESIRE FOR MORE CONSUMER GOODS IS HIGH AND GROWING AND THE PEOPLE'S PATIENCE IS SHORT. POLAND'S LABOR ARISTOCRACY -- THE SHIPYARD WORKERS, COAL MINERS, TEXTILE WORKERS, AND WORKERS IN HEAVY INDUSTRY -- REMEMBER THE EVENTS OF DECEMBER, 1970, AND THE PROMISES MADE BY GIEREK. THE GIEREK LEADERSHIP APPEARS TO BE UNITED AND EFFECTIVE. IT IS MORE SENSITIVE TO PUBLIC OPINION AND WORKS HARDER AT MAINTAINING CONTACT WITH THE GRASS ROOTS THAN ANY OTHER POST-1945 REGIME. THERE IS NO ALTERNATIVE LEADER IN THE WINGS AS THERE WAS IN THE LAST YEARS OF GOMULKA'S RULE. GIEREK'S PERSONAL PRESTIGE AND POLITICAL CONTROL WERE ENHANCED IN 1975 BY THE IMPLEMENTATION OF A MAJOR ADMINISTRATIVE REFORM AND BY A STRONG REAFFIRMATION OF HIS POLICIES AND THE PROMOTION OF MEN

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PERSONALLY LOYAL TO HIM AT THE OTHERWISE UNEVENTFUL SEVENTH PARTY CONGRESS. THE EFFECTIVENESS OF THE REGIME NOTWITHSTANDING, THE LATENT OPPOSITION ENDEMIC AMONG THE GREAT MAJORITY OF THE POLES TO RULE BY COMMUNISTS COULD FUSE INTO A SERIOUS CHALLENGE IF THERE WERE A CLEAR RALLYING POINT FOR POPULAR PASSIONS.

7. THE RECENT TEST OF STRENGTH OVER THE PROPOSED CONSTITU-

TIONAL CHANGES HAS ONCE MORE REVEALED THE VITALITY OF THE POLISH CHURCH AND THE CONDITION OF DE FACTO DUAL POWER WHICH EXISTS IN THIS COUNTRY. WORKING PARALLEL WITH AN AROUSED INTELLIGENTSIA, THE POLISH EPISCOPATE, LED BY THE PRIMATE, CARDINAL WYSZYNSKI, COMPELLED THE REGIME TO WATER DOWN SIGNIFICANTLY THE KEY CHANGES WHICH THE UNITED POLISH WORKERS' (E.E., COMMUNIST) PARTY HAD PROPOSED LAST AUTUMN. IN THE FACE OF THIS HEAD-ON CHALLENGE, THE GIEREK LEADERSHIP DEMONSTRATED ANEW THE FLEXIBILITY AND PRAGMATISM WHICH ARE ITS HALLMARKS AND AGREED TO A COMPROMISE WITH WHICH THE CHURCH AND THE BAST MAJORITY OF POLES, FOR WHOM IT SPEAKS, CAN LIVE. IN A CURIOUS WAY, THE GIEREK LEADERSHIP MAY HAVE PROFITED FROM THIS ENCOUNTER. IT CAN NOW DEMONSTRATE EVEN MORE CONVINCINGLY THAN BEFORE TO ITS SOVIET, CZECHOSLOVAK, AND EAST GERMAN NEIGHBORS THAT THERE ARE REAL LIMITS TO THE DEGREE TO WHICH IT CAN IMPOSE IDEOLOGICALLY BASED CHANGES.

8. POLITICAL - EXTERNAL. POLISH FOREIGN POLICY DOES NOT DEVIATE IN ESSENTIALS FROM THAT OF THE SOVIET UNION, NOR CAN WE EXPECT IT TO, ESPECIALLY IN TERMS OF MULTILATERAL DIPLOMACY. IN VIEW OF THE GREAT IMPROVEMENT IN OUR RELATIONSHIP SINCE 1970, HOWEVER, WE CAN EXPECT MORE FORTHCOMING POLISH RESPONSES TO OUR CONCERNS. WE HAVE BEEN TOLD CONFIDENTIALLY THAT THE POLES WANT TO BE ACCOMMODATING, PROVIDED THEY HAVE NO PRIORITY OF INTEREST IN THE SUBJECT AT HAND. ONE EXAMPLE WAS THE UNESCO EXPERTS' CONFERENCE IN WARSAW (FEBRUARY 9-17), DURING WHICH THE POLISH CHAIRMAN PLAYED A CONSIDERABLE ROLE IN PREVENTING EXTRANEIOUS POLITICAL CONSIDERATIONS FROM INTERRUPTING THE PROCEEDINGS, WHICH DEALT WITH TECHNICAL SUBJECTS. IF WE AVOID DIRECT CHALLENGES TO POSITIONS WHICH, AS A WARSAW PACT MEMBER, POLAND MUST SUPPORT, OUR ABILITY TO INFLUENCE POLISH POLICY

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SHOULD CONTINUE TO GROW IN THE NEXT YEAR OR TWO.

9. THE BIGGEST CURRENT PROBLEM FOR POLISH DIPLOMACY IS RATIFICATION OF THE GIEREK-SCHMIDT AGREEMENTS. IF THE BUNDESRAT FAILS TO RATIFY, ONE OF THE PILLARS OF DETENTE IN CENTRAL EUROPE COULD BE BADLY SHAKEN AND THE DOMESTIC FALL-OUT COULD BE DANGEROUS FOR FIRST SECRETARY GIEREK.

10. THE POLES HAVE BEEN CANDID IN STATING THAT THEIR ABILITY TO CONTINUE MOVING FORWARD RAPIDLY IN THEIR RELATIONS WITH THE WEST IS DEPENDENT ON A CONTINUATION OF GOOD US-SOVIET RELATIONS. POLISH-SOVIET RELATIONS SEEM EXCELLENT AND THE SOVIETS APPEAR TO BE AT EASE ABOUT THEM. WE DO NOT RULE OUT TENSIONS ON THE ECONOMIC SIDE. SOVIET SHORTAGES HAVE FORCED THE POLES TO BUY MORE GRAIN IN THE WEST AND

HAVE GENERATED ADDITIONAL SOVIET PRESSURES ON THE POLES TO  
SEND SCARCE GOODS TO THE SOVIET UNION AND PARTICIPATE IN  
MAJOR CEMA INVESTMENT PROJECTS ON SOVIET TERRITORY.

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CONSEQUENTLY, THE POLES SOMETIMES HAVE NOT HAD THE GOODS  
WITH WHICH TO MEET WESTERN -- AND DOMESTIC -- DEMAND. ALONG  
WITH THE HUNGARIANS AND ROMANIANS, THE POLES ARE FREQUENTLY  
CREDITED WITH EFFECTIVE FOOTDRAGGING ON FURTHER CEMA  
INTEGRATION.

11. THERE IS INCREASED RECEPTIVITY ON THE PART OF  
POLISH PARTY AND GOVERNMENT ELITES TO WESTERN INFLUENCES,  
ESPECIALLY IN THE ECONOMIC FIELD. THE GROWING NUMBER OF  
COOPERATIVE INDUSTRIAL AGREEMENTS NOW BEING IMPLEMENTED  
WITH WESTERN FIRMS SHOULD LEAD OVER THE LONG TERM TO  
SYSTEMIC CHANGES IN THE POLISH ECONOMY.

12. MORE THAN AT ANY OTHER TIME SINCE WORLD WAR II, POLAND  
IS IMPORTANT TO THE US. WITH ITS STRONGLY WESTERN CULTURAL  
AND SOCIAL BASE AND DESPITE THE IDEOLOGICAL AND INSTITUTIONAL  
SUPERSTRUCTURE IMPOSED UPON IT, POLAND IS INCREASINGLY

OPEN TO WESTERN INFLUENCE. POLAND IS SEEKING FORMS AND INSTITUTIONS, WHICH, WHILE THEY MUST BE TOLERABLE TO ITS GREAT EASTERN NEIGHBOR, WILL ALSO BE COMPATIBLE WITH THE SECRET

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DEEPLY FELT WISHES OF ITS PEOPLE. THE BALANCING ACT IS DELICATE AND THE POTENTIAL SYNTHESIS WORTHY OF OUR CLOSEST ATTENTION.

13. MILITARY. THE POLISH MILITARY ARE BEING BUGETARILY CONSTRAINED. THESE CONSTRAINTS PRECLUDE PROCUREMENT OF EXPENSIVE MILITARY EQUIPMENT SUCH AS NEW FIGHTER AIRCRAFT AND TANKS. THERE HAS BEEN A CUT-DOWN ON FLYING HOURS AND THE MOVEMENT OF FORCES TO TRAINING AGREAS IN BEING CONDUCTED BY RAIL RATHER THAN OTHER MEANS. THE ONLY LARGE NEW MILITARY EXPENDITURES ARE FOR THE MOVING AND HARDENING OF RADAR SITES, THE BUILDING OF HARDENED AIRCRAFT SHELTERS, AND THE CONTINUED CONSTRUCTION OF HIGHWAY AIRSTRIPS. WE ASSUME THAT THE GREATEST PART OF THE POLISH MILITARY BUDGET IS NOW BEING SPENT ON SALARIES AND FOR THE MAINTENANCE OF PROPERTY AND EQUIPMENT. AS THE POLISH MILITARY FORCES BECOME LESS COMPATIBLE WITH THOSE OF THE SOVIET UNION BECAUSE OF EQUIPMENT INCONSISTENCIES, PRESSURES TO MODERNIZE WILL BECOME GREATER. THE POLITICAL LEADERSHIP WILL SOON BE FACED WITH SOME VERY UNCOMFORTABLE CHOICES, INVOLVING THE POSSIBILITY OF EITHER REDUCING NEEDED EXPENDITURES IN THE CIVILIAN SECTOR OR DOWNGRADING THE POLISH MILITARY-EQUIPMENT INVENTORY. IT IS LIKELY THAT THIS DILEMMA WILL BECOME MORE ACUTE IN 1977. RESOURCE ALLOCATION IS AN IMPORTANT ASPECT OF POLISH SUPPORT FOR VARIOUS ARMS-REDUCTION SCHEMES. IN A NUMBER OF FORUMS, THE POLES HAVE PRIVATELY MADE IT CLEAR THAT THEY WOULD PREFER TO REDUCE THEIR FORCES, PROVIDED THIS REDUCTION DID NOT ADVERSELY AFFECT POLAND'S SECURITY, ESPECIALLY VISA-A-VIS WEST GERMANY.

14. ECONOMIC. DURING THE NEXT FEW YEARS, THE POLISH LEADERSHIP MUST SLOW THE RAPID RISE IN REAL INCOMES. SINCE 1971, REAL INCOMES HAVE RISEN MORE THAN SEVEN PERCENT A YEAR AND POLAND HAS EXPERIENCED A GENUINE ECONOMIC BOOM, FUELED BY MASSIVE INJECTIONS OF FOREIGN CREDIT. THESE INJECTIONS ARE CONTINUING, BUT THE MARGINAL INCREMENTS IN OUTPUT AND PRODUCTIVITY ARE SHRINKIN AS POLAND BEGINS TO PRESS AGAINST THE LIMITS OF AVAILABLE MANPOWER. POLAND'S INTERNATIONAL INDEBTEDNESS HAS RISEN SHARPLY AND CONTINUES TO GROW, BUT A GREAT DEAL OF CAPITAL INVESTMENT IS STILL NEEDED TO BRING THE COUNTRY'S VAST RESERVES OF COAL, SULPHUR, AND COPPER SECRET

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TO MARKET. THE NECESSITY OF RAISING PRICES OF BASIC CONSUMER GOODS, FROZEN SINCE 1971, IS APPARENT, BUT THE POLITICAL CONSEQUENCES OF THIS ACTION ARE SO UNCERTAIN THAT THE LEADERSHIP IS RELUCTANT TO GRASP THE NETTLE. THE CURENT THEME IS THAT PRODUCTIVITY MUST BE INCREASED AT ALL COSTS AND THAT FURTHER REAL-WAGE INCREASES CAN ONLY MATCH RISES IN PRODUCTIVITY. GREATER EFFICIENCY IS THE WATCHWORD.

15. WHILE POLAND HAS AN ENVIABLE BASE OF DOMESTIC ENERGY SUPPLIES AND OTHER MINERAL RESOURCES, THE SHORTRUN ECONOMIC OUTLOOK IS NOT A ROSY ONE FOR THE POLISH CONSUMER. THE GRAIN AND POTATO HARVESTS WERE BAD IN 1975, OFFICIALLY 16 PERCENT AND 5 PERCENT BELOW 1974'S RESULTS. THE SOVIET CROP FAILURE CAUSED THE USSR TO RENEGE ON ITS GRAIN-DELIVERY COMMITMENTS AND FORCED THE POLES TO INCREASE HARD-CURRENCY FEED-GRAIN PURCHASES. THE PRICE OF SOVIET PETROLEUM AND OTHER RAW MATERIALS CONTINUES TO RISE AND RECESSION IN THE WEST HAS CUT DEMAND FOR POLISH EXPORTS. WE SENSE NO WEAKENING IN THE POLISH CONVICTION THAT LONG-GERM LINKAGE WITH WESTERN SOURCES OF ADVANCED TECHNOLOGY IS THE SHORTEST WAY TO RAPID ECONOMIC DEVELOPMENT. NEVERTHELESS, SOME REDUCTION IN THE MAGNITUDE OF NEW INVESTMENTS AND A HIGHER DEGREE OF SELECTIVITY SEEM INEVITABLE.

16. THE POLITICAL NEXUS OF ECONOMIC POLICY. THE POLITICAL IMPLICATIONS OF CURRENT ECONOMIC TRENDS ARE CLEAR. IF THE GROWTH IN REAL WAGES SLOWS OR CEASES AND THE SUPPLY OF ATTRACTIVE CONSUMER GOODS REMAINS INSUFFICIENT, THE RESTIVENESS OF THE POLISH POPULATION WILL RISE SHARPLY. POPULAR FOREBEARANCE TOWARD THE GIEREK REGIME AND THE SOMEWHAT GRUDGING ADMISSION OF ITS ACCOMPLISHMENTS, WHICH MOST POLES EXPRESS, ARE LARGELY PROMPTED BY RECOGNITION OF ITS SUCCESS IN RAISING LIVING STANDARDS AND DE-EMPHASIZING IDEOLOGY. THIS FOREBEARANCE WOULD NOT BE LIKELY TO SURVIVE A PROLONGED PERIOD OF BELT-TIGHTENING, SINCE THE GOVERNMENT IS STILL ALMOST UNIVERSALLY REGARDED AS LACKING LEGITIMACY. GIEREK IS A VERY SKILLFUL POLITICIAN AND WE DO NOT SUGGEST THAT HE WOULD ALLOW HIMSELF TO GO THE WAY OF GOMULKA. NEVERTHELESS, AN OUTBREAK OF UNREST ELSEWHERE IN EASTERN EUROPE COULD VERY QUICKLY BE REFLECTED HERE, UNLESS THE REGIME FINDS MEANS OF KEEPING THE ECONOMIC PIE  
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GROWING AND OF ALLOTING A BIGGER SLICE TO EVERY POLE.

17. S&T COOPERATION. US-POLISH S&T COOPERATION HAS REACHED NEW HEIGHTS QUANTITATIVELY, QUALITATIVELY, AND IN SCOPE. THERE ARE 292 ACTIVE PROJECTS. OUR RESEARCHERS HAVE EASY

ACCESS PRACTICALLY EVERYWHERE IN POLAND. POLITICAL AND ECONOMIC SPIN-OFF IS SUBSTANTIAL. AND POLISH PUBLICITY FOR JOINT PROJECTS, ALMOST NON-EXISTENT SEVERAL YEARS AGO, IS ROUTINE. NO LESS THAN THREE POLISH MINISTERS HAVE EXPRESSED STONG INTEREST IN SCIENCE-RELATED VISITS THIS YEAR TO THE U.S. THE FUTURE OF ALMOST ALL OUR S&T COOPERATION, HOWEVER, RESTS ON THE OCTOBER, 1974, JOINT FUND AGREEMENT. THIS IS IN DANDER OF COLLAPSE, LARGELY BECAUSE OF OUR OWN BUREAUCRATIC DIFFICULTIES IN FULFILLING ITS TERMS IN GOOD FAITH.

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18. OBJECTIVES ADVANCED. US-POLISH BILATERAL RELATIONS IN 1975 PROGRESSED CONSIDERABLY OVER 1974, BY ALMOST AS MUCH AS THE PROGRESS WHICH WAS MADE IN 1974 BY COMPARISON WITH 1973. THE VISIT OF PRESIDENT FORD TO WARSAW IN JULY, REPAYING THAT OF FIRST SECRETARY GIEREK TO WASHINGTON IN OCTOBER, 1974, SYMBOLIZED THE EXCELLENT STATE OF THE RELATIONSHIP WHICH HAS BEEN ACHIEVED. SEVERAL BILATERAL AGREEMENTS WERE SIGNED, INCLUDING ONE SIGNALING POLISH INTENTIONS TO BUY FROM THE US AT LEAST 2-MILLION TONS OF GRAINS YEARLY UNTIL 1980. TRADE FLOURISHED, ADVANCING FROM

APPROXIMATELY \$660-MILLION IN 1974 TO WELL OVER \$800-MILLION, WITH A CONTINUING HEAVY IMBALANCE IN FAVOR OF THE U.S. THERE WAS A STEADY STREAM OF CABINET AND SUB-CABINET-LEVEL VISITORS IN BOTH DIRECTIONS, AS WELL AS NUMEROUS VISITS BY OFFICIALS AND PRIVATE PERSONS AND A HIGH LEVEL OF TOURISM. THE NUMBER OF AMERICAN FIRMS OPERATING OFFICES IN POLAND CONTINUED TO INCREASE, AS DID THE NUMBER OF AMERICANS, BUSINESSMEN AND PRIVATE CITIZENS, RESIDING HERE. A CONSISTENTLY HIGH LEVEL OF EDUCATIONAL AND CULTURAL PROGRAMING RESULTED IN IMPROVED CONTACTS WITH MORE AND

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MORE POLES. IN PARTICULAR, OUR CONTACTS WITH JOURNALISTS AND OTHER INTELLECTUALS INCREASED CONSIDERABLY. THERE WERE 14 AMERICAN FULBRIGHT PROFESSORS AT NINE POLISH UNIVERSITIES AND THE COLLABORATION OF AMERICAN UNIVERSITIES WITH THEIR POLISH COUNTERPARTS WAS EXTENDED. WE MADE PROGRESS IN OBTAINING MORE BALANCED POLISH PRESS COVERAGE OF US EVENTS AND POLICIES. EVEN THOUGH THE POLISH PRESS CHRONICLED IN DETAIL THE LONG LIST OF PROBLEMS WITH WHICH THE US HAD TO COPE, NOTHING IN THE NATURE OF AN ANTI-AMERICAN POLEMIC DEVELOPED. RESPECT AND ADMIRATION FOR THE US APPEAR UNDIMINSHED. WHILE WE HAVE NO MAJOR BILATERAL PROBLEMS, POLISH EMIGRATION POLICY, ESPECIALLY THE ISSUANCE OF EXIT DOCUMENTATION FOR DIVIDED FAMILIES, REMAINS AN IRRITANT.

19. US POLICY OBJECTIVES. OUR LONG-GERM POLICY GOALS TOWARD POLAND REMAIN VALID AND FEASIBLE. IN THE NEXT YEAR OF SO, WE ARE LIKELY TO SEE CONTINUING SLOW POLISH EVOLUTION AWAY FROM THE CLASSIC SOVIET MODEL. THE KEYNOTE IS PRAGMATIC DOMESTIC POLICY UNDER COVER OF RELATIVELY UNRELATED IDEOLOGICAL CANT. THE POLES ARE SUBSTANTIALLY IN COMPLIANCE WITH BASKET III PROVISIONS, A FACT THAT MAY EVEN HAVE BEEN SOMEWHAT EMBARRASSING TO THEM DURING WARSAW PACT COORDINATING MEETINGS ON CSCE IMPLEMENTATION. PERHAPS AS A RESULT, THERE HAS BEEN A DEFINITE REDUCTION IN THE NUMBER OF PASSPORTS BEING ISSUED FOR EMIGRATION TO THE U.S.

20. WE SEE THE REST OF 1976 AS A PERIOD OF FURTHER PROGRESS IN BILATERAL RELATIONS. IN VIEW OF OUR ELECTIONS, WHICH WILL REDUCE THE NUMBER OF HIGH-LEVEL VISITS FROM THE U.S. SIDE, AND DOMESTIC POLISH ECONOMIC-POLITICAL CONCERNS, HOWEVER, 1976 WILL NOT BE MARKED BY THE SPECTACULAR STEPS FORWARD WHICH TOOK PLACE IN THE 1971-75 PERIOD. ADDITIONALLY, WE EXPECT THE POLES TO RUN INCREASINGLY INTO DIFFICULTY IN OBTAINING CREDITS, AS A RESULT OF THEIR RAPIDLY RISING HARD-CURRENCY DEBT TO THE WEST, ALREADY OVER \$7-BILLION. DEBT SERVICE IS AN INCREASING PROBLEM FOR THE POLES AND IMPORTS ARE COMING UNDER INCREASINGLY CAREFUL SCRUTINY. IF WE CAN COMPLETE BOTH THE RCA/CORNING AND GM DEALS THIS YEAR



AND SUCCESSFULLY RENEGOTIATE THE AIR TRANSPORT AGREEMENT,  
WE WILL HAVE LAID THE ESSENTIAL GROUNDWORK FOR CONTINUED  
BILATERAL ECONOMIC PROGRESS IN 1977.

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## 21. FUTURE TRENDS AND PROBLEMS

A. DETENTE. THE POLISH LEADERSHIP IS DEEPLY COMMITTED TO DETENTE  
AND TO THE OPPORTUNITIES FOR COOPERATION WITH THE US  
IMPLICIT IN DETENTE. HOWEVER, POLISH SUPPORT FOR SOVIET  
EFFORTS TO FISH IN TROUBLED WATERS, OR TACIT ACQUIESCENCE  
IN THEM, COULD IMPAIR OUR WILLINGNESS TO BE FORTHCOMING.  
THE POLES WERE VERY CAREFUL DURING 1975 TO KEEP OUR  
INTERESTS IN MIND. THEY WILL ALMOST CERTAINLY CONTINUE TO  
DO SO WHEREVER THEY CAN.

B. BUILDING A CONSUMER SOCIETY. IN PARAGRAPH 16 ABOVE,  
WE HAVE INDICATED THE DANGER INHERENT IN THE POLISH  
COMMUNIST EFFORT TO CREATE A CONSUMER SOCIETY WITH  
"SOCIALIST VALUES." IF THE HEAVY PUBLIC PRESSURE FOR MORE  
AND BETTER CONSUMER GOODS IS NOT MET, THERE COULD BE  
ANOTHER POLITICAL EXPLOSION IN POLAND. SERIOUS AND  
PERSISTENT POLITICAL INSTABILITY COULD LEAD TO SOVIET  
INTERVENTION.

22. RECOMMENDATIONS. THE FOLLOWING ACTIONS DURING 1976  
WOULD PROMOTE ACHIEVEMENT OF OUR POLICY OBJECTIVES.

A. OFFICIAL VISITS. THE VISIT OF CODEL O'NEILL IN APRIL  
AND A PROJECTED VISIT BY A DELEGATION OF SEJM DEPUTIES TO  
THE U.S. IN JUNE WILL BE USEFUL. THE SIXTH SESSION OF  
THE JOINT US-POLISH TRADE COMMISSION, TO BE HELD IN  
WASHINGTON LATER THIS YEAR, WILL PRESUMABLY BRING FOREIGN  
TRADE MINISTER JERZY OLSZEWSKI TO THE U.S. OTHER POLISH  
OFFICIALS WHO SHOULD VISIT THE U.S. THIS YEAR INCLUDE:  
MINISTER OF SCIENCE, HIGHER EDUCATION, AND TECHNOLOGY  
SYLWESTER KALISKI; MINISTER OF HEALTH MARIAN SLIWINSKI;  
MINISTER OF THE CHEMICAL INDUSTRY MACIEJ WIROWSKI, MINISTER  
OF MINING AND POWER JAN KULPINSKI. THERE IS A POSSIBILITY  
THAT VICE PREMIER TADEUSZ PYKA, A FAST-RISING ECONOMIC  
OFFICIAL CLOSE TO GIEREK, WILL ALSO WISH TO GO. WE SHOULD  
WELCOME HIS VISIT. WHILE THE EXIGENCIES OF A PRESIDENTIAL-  
ELECTION YEAR WILL PRESUMABLY RESTRICT THE POSSIBILITIES  
FOR A COMPARABLE NUMBER OF OFFICIAL U.S. VISITORS, WE  
HOPE THAT DEPARTMENT CAN INTEREST A FEW RANKING

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AMERICAN OFFICIALS, BUT SIGNIFICANT, EXCHANGE OF VISITS  
WILL BE INITIATED IN MAY WHEN SEVERAL AMERICAN ARCHBISHOPS  
AND BISHOPS VISIT POLAND. A DELEGATION FROM THE POLISH  
EPISCOPATE, PROBABLY HEADED BY CARDINAL WOJTYLA OF KRAKOW,  
WILL VISIT THE U.S. IN AUGUST.

B. THIS WILL BE A DIFFICULT YEAR FOR THE POLISH ECONOMY.  
AS THE POLES SEEK TO EXPAND EXPORTS TO THE AMERICAN  
MARKET, WE SHOULD CONTINUE TO ENCOURAGE THEM TO CONSULT  
WITH US AND, WHERE PRACTICAL, WITH APPROPRIATE REPRESENTA-  
TIVES OF U.S. INDUSTRY AND COMMERCE, IN ORDER TO REDUCE THE  
RISK OF FUTURE TRADE DISPUTES. SUCH CONSULTATION IS FULLY  
CONSONANT WITH THE STAGE WE HAVE REACHED IN OUR MATURING  
RELATIONSHIP AND WILL REINFORCE THE POLISH LEADERSHIP'S  
BELIEF THAT IT HAS CHOSEN WELL IN DECIDING TO EXPAND  
ECONOMIC TIES WITH THE WEST, AND ESPECIALLY THE U.S.

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C. WE MUST WORK TO INCREASE OUR SHARE OF POLAND'S IMPORTS,  
WHICH AMOUNTED TO \$529-MILLION DURING THE FIRST ELEVEN

MONTHS OF 1975 (SOME \$134-MILLION MORE THAN TOTAL U.S. SALES IN POLAND IN 1974). OUR FIRMS CONTINUE TO BE WELL RECEIVED IN THE POLISH MARKET, BUT POLAND'S HARD-CURRENCY INDEBTEDNESS IS BRINGING INCREASING PRESSURE ON SELLERS TO MINIMIZE THE FOREIGN-EXCHANGE COSTS OF THEIR PROPOSALS. OUR COMPANIES MUST BE PREPARED TO DEVOTE MORE ENERGY TO EXPLORING NEW FORMS OF COOPERATION, INCLUDING COMPENSATION ARRANGEMENTS AND THIRD-COUNTRY VENTURES.

D. THE JOINT US-POLISH TRADE COMMISSION HAS BEEN SUCCESSFUL IN ESTABLISHING ACCEPTABLE WORKING CONDITIONS FOR US FIRMS IN POLAND. THE NUMBER OF U.S. COMPANIES WITH WARSAW OFFICES HAS RISEN TO SIXTEEN. WE SHOULD ENCOURAGE THE POLISH-US ECONOMIC COUNCIL (THE U.S. SECTION OF WHICH IS HEADED BY BROOKS MCCORMICK OF INTERNATIONAL HARVESTER), WHICH WILL HOLD ITS SECOND PLENARY SESSION IN WASHINGTON (MAY 25-27), TO PLAY A MORE ACTIVE ROLE IN BROADENING CONTACTS BETWEEN THE U.S. BUSINESS COMMUNITY AND POLISH  
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INDUSTRIAL DECISION-MAKERS.

E. THE EXPORT-IMPORT BANK SHOULD CONTINUE TO PROVIDE STRONG SUPPORT OF US EXPORTS TO POLAND. WESTERN EUROPEAN AND JAPANESE FIRMS ARE COMPETING INTENSIVELY WITH US IN THE POLISH MARKET, TAKING ADVANTAGE OF GOVERNMENT CREDIT LINES OFFERED AT INTEREST RATES SUBSTANTIALLY BELOW EXIM'S MINIMUM.

F. THE BEST-EFFORTS ARRANGEMENT CONCLUDED DURING THE VISIT OF SECRETARY BUTZ IN NOVEMBER, 1975, ESTABLISHES AN EXCELLENT BASE FOR EXPANDING US AGRICULTURAL SALES TO POLAND. POLISH REQUESTS FOR CCC CREDITS TO FINANCE AGRICULTURAL PURCHASES SHOULD BE GIVEN THE MOST SYMPATHETIC CONSIDERATION POSSIBLE. WE WILL SOON SIGN FOR THE FIRST TIME A VETERINARY AGREEMENT, THE TEXT OF WHICH HAS JUST BEEN APPROVED BY BOTH SIDES.

G. WE SHOULD GIVE PROMPT CONSIDERATION TO THE POLISH COUNTERPROPOSALS ON THE AIRWORTHINESS AGREEMENT, WHICH WE HAVE BEEN TOLD ARE NOW IN PREPARATION.

H. OUR AIR TRANSPORT AGREEMENT WILL EXPIRE ON OCTOBER 31, 1976. THE POLES ARE PRESSING FOR AN EARLY RESUMPTION OF CONSULTATIONS AND WE SHOULD SET A DATE FOR THESE SOON, SINCE THE RENEGOTIATION PROCESS IS LIKELY TO BE DIFFICULT AND TIME-CONSUMING. WE ARE CONTINUING TO PRESS FOR FULL COMPLIANCE WITH THE TERMS OF THE PRESENT AGREEMENT.

I. THE RECENT IMPROVEMENT IN POLITICAL RELATIONS AND

CONTINUING EXPANSION OF ECONOMIC CONTACTS SUGGEST THAT THE PROGRAMING OF OUR PRESS AND CULTURE SECTION , AIMED AT IMPORTANT AUDIENCES, CAN AND SHOULD BE EXPANDED. WE NEED MORE VOLUNTARY SPEAKERS AND AMERICAN SPECIALISTS ON ECONOMIC AND POLITICAL SUBJECTS. WE SHOULD ISSUE MORE IVP GRANTS TO POLISH OFFICIALS INVOLVED IN MANAGEMENT AND IN ECONOMIC AND POLITICAL DECISION-MAKING. OUR CONTACTS WITH JOURNALISTS AND OTHER INTELLECTUALS MUST BE INCREASED STILL FURTHER, PARTICULARLY IN CITIES OTHER THAN WARSAW, KRAKOW, AND POZNAN. WE MUST ADJUST OUR FULBRIGHT PROGRAM PLACEMENT SO AS TO HAVE EXPERTS IN MANAGEMENT TEACHING AT SECRET

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POLISH UNIVERSITIES. WE MUST DEVELOP OPPORTUNITIES FOR PLACEMENT OF LECTURERS AND RESEARCHERS FOR SHORT PERIODS IN OTHER FIELDS, PARTICULARLY ECONOMICS, GOVERNMENT, LAW, AND PHILOSOPHY.

J. THE POLISH GOVERNMENT'S POLICY ON THE ISSUANCE OF EMIGRATION PASSPORTS IS TOO RESTRICTIVE. WE MUST CONTINUE TO PRESS FOR LIBERALIZATION OF THESE RESTRICTIONS. WE WILL CONTINUE TO BRING TO THE ATTENTION OF THE POLISH GOVERNMENT DIVIDED-FAMILY CASES OF SPECIAL MERIT, PARTICULARLY WHEN THE SPONSOR IN THE U.S. IS AN AMERICAN CITIZEN. WE SHOULD WORK FOR A RISE IN THE NUMBER OF EMIGRATION PASSPORTS ISSUED -- AND HENCE OF U.S. IMMIGRATION VISAS GRANTED -- FROM THE 1,144 OF 1975 TO THE LEVEL ACHIEVED IN THE EARLY 1960'S, I.E., ABOUT 6,000 A YEAR.

23. RESOURCES. IN FY-1976, THIS MISSION IS OPERATING AT A COST OF \$4,095,000. INCLUDED IN THIS TOTAL IS A STATE DEPARTMENT CULTURAL EXCHANGE PROGRAM OF \$656,000 AND A USIA DIRECT-SUPPORT ALLOCATION OF \$543,000. WE UNDERSTAND THAT THE CULTURAL-PROGRAM ALLOTMENT FOR FY-1977 WILL BE DECREASED. GIVEN OUR NEW OPPORTUNITIES FOR INFLUENCING POLISH SOCIETY, WE GREATLY REGRET THIS REDUCTION. OUR OPERATING COSTS IN FY-1976 INCREASED OVER THOSE FOR FY-1975 BY 18.6 PERCENT. WE AGAIN ANTICIPATE AN OPERATING INCREASE OF AT LEAST TEN PERCENT FOR FY-1977 (FOR ONE THING, AS WE HAVE NOTED IN PARAGRAPH 14, THE PRICES OF BASIC CONSUMER GOODS, FROZEN SINCE 1971, WILL RISE, AND SO WILL THOSE OF OTHER COMMODITIES AND SERVICES WHICH THE MISSION AND CONSULATES MUST PURCHASE).

24. AS OUR RELATIONS WITH POLAND HAVE IMPROVED, SO HAS OUR ABILITY TO WORK EFFECTIVELY IN MOST AREAS OF POLISH SOCIETY. OUR EFFECTIVENESS IS SIGNIFICANTLY LIMITED, HOWEVER, BY THE DEPARTMENT'S INABILITY TO PROVIDE THE MEAGER ADDITIONAL PERSONNEL RESOURCES WHICH WE HAVE REQUESTED.

25. DESPITE THE RECOMMENDATION OF THE INTERAGENCY REVIEW GROUP OF JUNE 25, 1975 (75 STATE 165218, PARAGRAPH 19), THE FOURTH POLITICAL-OFFICER POSITION WHICH WE REQUESTED HAS NOT BEEN APPROVED. THE NEED IS GREATER  
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NOW THAN EVER AND WE HOPE THAT IT MAY BE MET THIS YEAR.

26. WE HAVE ALSO REPEATEDLY DEMONSTRATED THE NEED FOR AN AMERICAN SECRETARY FOR THE REGIONAL SECURITY OFFICER, WHO IS COMPELLED TO COMPETE FOR THE SERVICES OF THE OVERWORKED PERSONNEL ASSISTANT, THE ONLY AMERICAN STAFF EMPLOYEE IN THE ADMINISTRATIVE SECTION. BUT THERE HAS BEEN NO ACTION.

27. IN ITS FY-1977 BUDGET SUBMISSION, THE EMBASSY WILL INCLUDE A REQUEST FOR AN ADMINISTRATIVE CLERK FOR THE AMERICAN CONSULATE IN KRAKOW. THE LOCALLY HIRED AMERICAN DEPENDENT WHO HAS PERFORMED CLERICAL, ADMINISTRATIVE, AND SECRETARIAL FUNCTIONS FOR THE PAST NINE MONTHS HAS PROVED TO BE A VITAL ELEMENT IN THE OPERATION OF THE CONSULATE. IN VIEW OF THE GROWING IMPORTANCE OF THE POST, WE STRONGLY URGE THAT THIS POSITION BE GIVEN PERMANENT STATUS.

28. IN ITS FY-1977 BUDGET SUBMISION, THE EMBASSY WILL ALSO REQUEST A LOCAL PROGRAM CLERICAL POSITION TO BE SHARED BY THE EXECUTIVE OFFICE AND THE POLITICAL SECTION. THERE IS AN URGENT NEED FOR A QUALIFIED POLISH EMPLOYEE TO HANDLE THE GROWING AMOUNT OF POLISH-LANGUAGE CORRESPONDENCE, DO BIOGRAPHICAL AND LEGISLATIVE RESEARCH, ARRANGE APPOINTMENTS, DO ROUTINE PROTOCOL WORK, AND HANDLE REPRESENTATIONAL ARRANGEMENTS.  
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